

STATE OF ILLINOIS

FEB 7 2 47 PM '01

ILLINOIS COMMERCE COMMISSION

CHIEF CLERK'S OFFICE

Illinois Bell Telephone Company)	
)	98-0252
Application for Review of Alternative Regulation Plan)	(consol.)
)	
Illinois Bell Telephone Company)	
)	98-0335
Petition to Rebalance Illinois Bell Telephone Company's)	(consol.)
Carrier Access and Network Access Line Rates)	
)	
Citizens Utility Board and the People of the State)	
of Illinois)	
vs.)	00-0764
Illinois Bell Telephone Co., d/b/a Ameritech, Illinois)	(consol.)
)	
Petition for reduction in rates and other relief)	

GOVERNMENT AND CONSUMER INTERVENORS'
PRETRIAL MEMO AND LIST OF WITNESSES

The following Pretrial Memo is submitted by the People of the State of Illinois, ex rel. James Ryan, Attorney General, the Cook County State's Attorney's Office, City of Chicago and the Citizens Utility Board (Government and Consumer Intervenors, or "GCI"). It sets forth the issues presented in testimony in this consolidated docket, identifies the GCI witnesses that address these issues, provides selected, but not necessarily all, page references for some issues, and describes the conclusions to be drawn from the evidence.

The parties comprising GCI will state their final positions on the issues in briefs following the admission into the record of testimony, cross-examination of witnesses, and review of motions, additional cross- or other exhibits and review of transcripts. This memorandum is in response to the Hearing Examiners' request for a pretrial presentation and

should not be construed as any of the GCI parties' final position on an issue or as a concession on any issue. The GCI parties anticipate filing separate briefs and reserve the right to present individual positions. A List of Witnesses is also attached.

I. ALTERNATIVE REGULATION ISSUES

A. ALTERNATIVE REGULATION PLAN – 5-YEAR REVIEW

1. Scope of Proceeding

Review under section 13-506.1, under the Public Utilities Act as a whole, including a review of Ameritech's revenues, and under the Commission's 1994 Order in Docket 92-0448. **TerKeurst, GCI Ex. 1 at 9-20, TerKeurst, GCI Ex. 2 at 10-33**

2. 1994 Order's Goals For Plan

3. Statutory criteria under section 13-506.1(b)

TerKeurst, GCI Ex. 1, 2 , 11, 12; Selwyn, GCI Ex. 3.0 13, Selwyn, Chicago Ex. 1, 2

(a) Public Interest 13-506.1(b)(1)

(b) Fair, Just and Reasonable Rates 13-506.1(b)(2)

(c) Responds to Changes in Technology... 13-506.1(b)(3)

(d) More Appropriate Form of Regulation 13-506.1(b)(4)

(e) How Ratepayers will Benefit 13-506.1(b)(5)

(f) Maintain the Quality and Availability of Service
13-506.1(b)(6)

(g) Not Unduly or Unreasonably Prejudice Any
Class of Consumers 13-506.1(b)(7)

4. Policy goals under Section 13-506.1(a)

TerKeurst, GCI Ex. 1, 2 , 11, 12; Selwyn, GCI Ex. 3.0 13, Selwyn, Chicago Ex. 1, 2

- (a) regulatory delay and costs 13-506.1(a)(1)
- (b) innovation 13-506.1(a)(2)
- (c) efficiency 13-506.1(a)(3)
- (d) broad dissemination of technical improvements
13-506.1(a)(4)
- (e) economic development 13-506.1(a)(5)
- (f) provide for fair, just and reasonable 13-506.1(a)(6)
- (g) Other statutory or policy criteria referenced in Section 13-506.1(a)

5. 1994 Order's List of Issues

TerKeurst, GCI Ex. 1, 2 , 11, 12; Selwyn, GCI Ex. 3.0 13, Selwyn, Chicago Ex. 1, 2

- (a) whether the inflation index and the manner in which it is applied provide an adequate reflection of economy wide inflation.
- (b) An assessment of productivity gains for the economy as a whole, for the telecommunications industry to the extent data are available, and for Illinois Bell during the period that the alternative regulatory framework has been in place, and whether the adopted general adjustment factor should be modified.
- (c) Whether the adopted monitoring and reporting requirements should be retained or adjusted.
- (d) The extent to which Illinois Bell had modernized its network and additional modernization plans for the near term.
- (e) A listing of all services in each basket and a report of the cumulative percentage changes in prices for each service during the period the price cap mechanism has been in effect.
- (f) A listing of any services, which have been withdrawn during the period.
- (g) A listing of all services, which have been reclassified as competitive or noncompetitive during the period.

- (h) A summary of new services, which have been introduced during the period.
- (i) Information regarding any changes in universal service levels in Illinois Bell's service territory during the price cap period.
- (j) Whether, and the extent to which, the adopted regulatory framework has met each of the established statutory and regulatory goals.
- (k) Summary and analysis of the information in the infrastructure report filed on March 31, 1995 and in the annual reports filed by March 31 of 1996 and the years thereafter.
- (f) The alternative regulation plan should be considered in light of the outcome if other regulatory schemes were in effect, such as rate of return regulation, and the overall goals of the Public Utilities Act.

TerKeurst, GCI Ex. 1, 2, 11, 12; Selwyn, GCI Ex. 3, 13, Selwyn, Chicago Ex. 1, 2

B. ALTERNATIVE REGULATION PLAN REVIEW – GOING FORWARD PROPOSALS

1. CUB/AG Complaint - Statutory Basis and Relief Requested

- a.. Just and reasonable rate standard under 9-250
- (b) Just and reasonable rate standard under 13-506.1
- (c) Motion to Dismiss

2. Adoption or Amendment of Price Cap Plan

a. Price Index

1. measure of inflation

AGREED among Ameritech, Staff and GCI: chain weighted GDPPI should be used to measure inflation. GCI Ex. 3.0 at 12-14

2. If price cap plan adopted, productivity offset should be 6.5%, reflecting FCC offset, and including a consumer dividend. If a number less than 6.5% is adopted, it should continue the 1% consumer dividend and include an earnings sharing provision.

Selwyn, GCI Ex. 3.0 at 46; Selwyn GCI Ex. 13 at 25-27

3. The Commission should reject Ameritech's request to require that Commission ordered revenue decreases be treated as exogenous changes requiring revenue increases in price cap rates factor

TerKeurst, GCI Ex. 1 at 34-40, TerKeurst, GCI Ex. 11 at 40-44

4. A service quality factor should be maintained, although it should be assessed outside the price index (see section C below)

TerKeurst, GCI Ex. 2, TerKeurst, GCI Ex. 12

b. Pricing Flexibility

Retain the current 2% plus PCI per basket pricing flexibility

TerKeurst, GCI Ex. 1 at 47, TerKeurst, GCI Ex. 11 at 44-47

c. Construction of Baskets

1. Retain basket structure and reject consolidation of baskets
2. The new services basket should not be used for bundling or reconfiguring existing noncompetitive services

TerKeurst, GCI Ex. 1 at 45, 64-67; TerKeurst, GCI Ex. 11 at 48-50, 60-61

d. Treatment of Certain Services

1. carrier access services should be included in alternative regulation plan
2. wholesale (resale) service and UNEs should be included in alternative regulation plan
3. 911 services should be included in alternative regulation plan

TerKeurst, GCI Ex. 1 at 48-61, TerKeurst, GCI Ex. 1 at 50-58

e. Rate Cap On Basic Residence Services

Retain rate cap on basic residence services

TerKeurst, GCI Ex. 1 at 43, TerKeurst, GCI Ex. 11; 1994 Alt Reg Order at 64; 13-506.1(c).

f. API/PCI Issues

1. Reinitialize API/PCI to 100 if alternative regulation extended
2. Apply API to effective, as opposed to tariffed rates
3. Accept Ameritech proposal not to reflect pricing promotions in PCI

TerKeurst, GCI Ex. 1 at 61-62, 64; TerKeurst, GCI Ex. 11 at 58-60

g. Infrastructure Commitment

The Commission should continue its requirement that Ameritech invest at a minimum of \$3 billion in Illinois, excluding investments under Project Pronto and by AADS

TerKeurst, GCI Ex. 1 at 83-84; TerKeurst, GCI Ex. 2 at 18; TerKeurst, GCI Ex. 11 at 67-71

h. Reporting Requirements

Report additional service quality measures (see section C below), require that Merger Order reporting requirements be met in regard to infrastructure investments, and continue other existing reporting requirements

TerKeurst, GCI Ex. 1 at 85; TerKeurst, GCI Ex. 11 at 71

i. Future Review Schedule

If alternative regulation is adopted, application for review should be filed no later than March 31, 2004, constituting a 5 year review

TerKeurst, GCI Ex. 1 at 85, TerKeurst, GCI Ex. 11 at 73

j. Competitive Services

1. Incentives for premature or incorrect reclassification of services as competitive should be eliminated and penalties for premature reclassification imposed
2. The X-factor should be applied to all intrastate services, including those classified as competitive so all services are included in the price cap formula. See 13-506.1(a) and (b); 13-507; Telecom. Act of 1996, section 254(k)

TerKeurst, GCI Ex. 1 at 26-34, TerKeurst, GCI Ex. 11; Selwyn, Ex. 3 at 29-33, Selwyn, Ex. 13

k. Merger savings

A one-time adjustment, or M- factor, of 4.8% should be applied to the price index to reflect \$296 million of merger savings, which can be adjusted after a Commission investigation and determination

Selwyn, GCI Ex. 3 at 39-40

3. Rate Reinitialization

Rates should be reinitialized to just and reasonable levels as part of the adoption of a new alternative regulation plan, as part of an earnings sharing plan, or upon return to rate of return regulation

TerKeurst, GCI Ex. 1, 11; Selwyn, GCI Ex. 3, 13; Dunkel, GCI Ex. 7.0, 9.0, Smith, GCI Ex. 6.0 - 6.4; Selwyn, Chicago Ex. 1, 2.

4. Earnings Sharing

The Commission should adopt an earnings sharing plan if it continues alternative regulation.

TerKeurst, GCI Ex. 1 at 33, 67-72; TerKeurst, GCI Ex. 11 at 62-67; Selwyn, GCI Ex. 3 at 46

5. Rate-of-Return Regulation

Revenues have been so excessive under alternative regulation that if substantial modifications are not made to the price cap plan, it is necessary to return to rate of return regulation

TerKeurst, GCI Ex. 1, TerKeurst, GCI Ex. 11, Selwyn, GCI Ex. 3, Selwyn, GCI Ex. 13, Smith, GCI Ex. 6.0, Smith GCI Ex. 6.2; Selwyn, Chicago Ex. 1, 2

C. ALTERNATIVE REGULATION PLAN REVIEW – SERVICE QUALITY GOING FORWARD

1. Statutory standard and Commission precedent

Section 506.1 requires that service quality be maintained and not degraded under alternative regulation

TerKeurst, GCI Ex. 2 at 18-24;; TerKeurst, GCI Ex. 12 at 24-27

2. Existing and Proposed Measures and Benchmarks to be continued or adopted

TerKeurst, GCI Ex. 2 at 25-65; TerKeurst, GCI Ex. 12 at 20-53

- | | | |
|---|--|--|
| a. | % installations within 5 days | 95.44% |
| b. | Trouble reports per 100 access lines | 2.66 |
| c. | % out of service for more than 24 hours | 5.0% |
| d. | % dial tone speed within 3 seconds | 96.8% |
| Elimination of this measure agreed (GCI Ex. 2 at 37) | | |
| e. | Operator average speed of answer—toll and assistance | 3.6 seconds |
| f. | Operator average speed of answer—information | 5.9 seconds |
| g. | Operator average speed of answer—intercept | 6.2 seconds |
| h. | Trunk groups below objective | 4.5/year |
| i. | POTS % Out of Service Over 24 Hours | 5.0% |
| j. | Average Speed of Answer | |
| | 1. Residential Customer Call Centers | 80% w/in 20 seconds |
| | 2. Business Customer Call Centers | 80% w/in 20 seconds |
| | 3. Repair Centers | 80% w/in 20 seconds |
| k. | % of Calls Answered | |
| | 1. Residential Customer Call Centers | 95 % |
| | 2. Business Customer Call Centers | 95 % |
| | 3. Repair Centers | 95 % |
| l. | Abandon rate | 4% |
| m. | POTS Mean Installation Interval | 4 business days |
| n. | POTS Mean Time to Repair | 21 hours |
| o. | POTS % Installation Trouble Report Rate (7 days) | 5% |
| p. | POTS % Repeat Trouble Report Rate (within 30 days) | 10% |
| q. | Repeat Trouble Rate (within 30 days) | 10% |
| r. | POTS % Missed Installation Commitments –
Company Reasons | 1% |
| s. | POTS % Missed Repair Commitments –
Company Reasons | 1% |
| t. | POTS % Missed Installation Appointments –
Company Reasons | 1% |
| u. | POTS % Missed Repair Appointments –
Company Reasons | 1% |
| 3. | Proposed Penalty Structures | |
| a. | Although penalties for substandard service quality should not be part of the price cap, if the Commission retains a service quality adjustment to the price index: | |
| | 1. | Increase assessment to 1.25% of PCI
TerKeurst, GCI Ex. 2.0 at 76 |
| | 2. | Escalate penalties for multiple violations
TerKeurst, GCI Ex. 2.0 at 77 |
| | 3. | Direct Consumer Compensation
TerKeurst, GCI Ex. 2.0 at 81-88; TerKeurst, GCI Ex. 12.0 at 53-62 |

- b. Recommend that service quality penalties be assessed out of the index
 - 1. Penalty of \$12 million per violation
TerKeurst, GCI Ex. 2.0 at 70, TerKeurst, GCI Ex. 12.0
 - 2. Escalation for multiple violations
TerKeurst, GCI Ex. 2.0 at 71, TerKeurst, GCI Ex. 12.0
 - 3. Direct consumer compensation
TerKeurst, GCI Ex. 2.0 at 81-88; TerKeurst, GCI Ex. 12.0 at 53-62

II. COST STUDY ISSUES **** PAGE NUMBERS TO BE INSERTED ****
Dunkel, GCI Exhibits 8.0 and 9.0; Regan, GCI Exhibits 5.0 and 10.0; and McCullar, GCI Exhibit 4.0

- A. Shared Costs
 - 1. Ameritech's proposal violates the ICC's Cost of Service Rules
Dunkel, GCI Ex. 8.0 at 67-68
 - 2. Ameritech's proposal violates the Federal Telecommunications Act of 1996
Dunkel, GCI Ex. 8.0 at 80
 - 3. Ameritech admits that the loop is shared by many services
Dunkel, GCI Ex. 8.0 at 60-65
- B. Utilization
 - 1. Ameritech's proposal violates the ICC's Cost of Service Rules- "usable capacity of a capital resource"
Dunkel, GCI Ex. 8.0 at 84
 - 2. Ameritech improperly adjusts the utilization factor for NAL costs but not usage costs
Dunkel, GCI Ex. 8.0 at 85-86
- C. Ameritech's Claimed Loop and Port Facility LRSICs contain several errors
 - 1. Overstating the "local field costs"
Dunkel, GCI Ex. 9.0 at 45-47
 - 2. 100% switching equipment common cost allocated to loop and port
Dunkel, GCI Ex. 9.0 at 47-50

3. Overstated expensive "growth" lines v. less expensive "replacement" lines
Dunkel, GCI Ex. 9.0 at 50-51
4. "Revenue ready" is not a cost of the loop and port
Dunkel, GCI Ex. 9.0 at 51-52
5. Billing cost of other services allocated to loop and port
Dunkel, GCI Ex. 9.0 at 52-54
6. Improper capital structure
Dunkel, GCI Ex. 9.0 at 54-56
7. Cost of money factor overstates the average net investment
Dunkel, GCI Ex. 9.0 at 56-59
8. Cost of money overstates the income tax factor
Dunkel, GCI Ex. 9.0 at 59-60
9. Other errors for which no adjustment was made
Dunkel, GCI Ex. 9.0 at 67

III. RATE DESIGN ISSUES

A. Telephone Penetration

1. Penetration levels in the State of Illinois have declined during the pendency of the alternative regulation plan
2. The Commission should consider Universal Service implications of rate design issues

Dunkel, GCI Ex. 8.0 at 6-10; GCI Ex. 9.0 at 1-5; Regan, GCI Exhibits 5.0 and 10.0;

B. Rate Reductions

Dunkel, GCI Ex. 8.0 and Ex. 8.5 (summary)

1. NAL Rates for residential and business customers should be reduced a minimum of \$1.30
Dunkel, GCI Ex. 8.0 at 11-14 and 9.0 at 15-20
2. Non-recurring service installation charges should be reduced
AGREED: Dunkel, GCI Ex. 8.0 at 14-20
3. Local usage rates should be reduced

AGREED THAT RESIDENTIAL BAND B RATES SHOULD BE REDUCED; Dunkel, GCI Ex. 8.0 at 21; GCI Ex. 8.0 at 20-26; and GCI Ex. 9.0 at 11-13

4. Business and Residential Vertical Services Rates Should be reduced
Dunkel, GCI Ex. 8.0 at 28-31 and GCI Ex. 9.0 at 20-21

5. Privacy listings recurring rates should be eliminated (**AGREEMENT ON COST OF PRIVACY LISTINGS**)
Dunkel, GCI Ex. 8.0 at 31-34; GCI Ex. 9.0 at 20-21

C. Ameritech Rate Rebalancing Proposal
Selwyn, City of Chicago Exhibits 1.0 and 2.0; Dunkel, GCI Exhibits 8.0 and 9.0; Regan, GCI Exhibits 5.0 and 10.0; and McCullar, GCI Exhibit 4.0

1. NAL rates are above LRSIC costs
2. Ameritech's contribution theory does not justify a rate increase for the NAL
- (c) The Commission rejected that Ameritech could raise noncompetitive rates to offset the access charge reductions
- (d) Ameritech has not implemented access charge reductions equal to the \$43 million, the amount by which it seeks to increase noncompetitive rates.

IV. DEPRECIATION
Dunkel, GCI Exhibits 8.0 and 9.0; Regan, GCI Exhibits 5.0 and 10.0; and McCullar, GCI Exhibit 4.0

A. Ameritech has abused the depreciation freedom given it by the ICC
Dunkel, GCI Ex. 8.0 at 90-99; GCI Ex. 9.0 at 30-31

B. Revenue Requirement

1. Claimed \$101 million expense on fully depreciated accounts should be eliminated: (**AGREED that accounts should be eliminated but total amount not agreed**)
Dunkel, GCI Ex. 8.0 at 93-96; GCI Ex. 9.0 at 37-39
2. Joint Board (FCC Part 36) separations violations

Dunkel, GCI Ex. 9.0 at 32-37

3. Improper treatment of FAS 71 expense
Dunkel, GCI Ex. 9.0 at 39-44
4. Improper amortization of Circuit Equipment
Dunkel, GCI Ex. 9.0 at 45-47
5. 1999 v. 1995 reserve amounts
Dunkel, GCI Ex. 9.0 at 47-50
6. Adjusting prior year reserves improper
Dunkel, GCI Ex. 9.0 at 51-53
7. Intrastate depreciation reserve corrections
Dunkel, GCI Ex. 9.0 at 53
8. Comparison of depreciation rates improper
Dunkel, GCI Ex. 9.0 at 55-58

V. DIRECTORY ADVERTISING REVENUE OF \$126 MILLION SHOULD BE IMPUTED

Dunkel, GCI Exhibits 8.0 and 9.0; Regan, GCI Exhibits 5.0 and 10.0; and McCullar, GCI Exhibit 4.0, Smith, GCI Exhibits 6.1-6.4; Selwyn, GCI Ex. 3.0 at 45

- A. Endorsed directory revenues are by-product of basic local exchange service
Dunkel, GCI Ex. 7.0 at 2
- B. Ameritech would have received revenues had directory contracts been at arm's length
Dunkel, GCI Ex. 9.0 at 7
- C. Directory advertising revenue does not subsidize residential service
Dunkel, GCI Ex. 9.0 at 7-8

VI. Revenue Requirement Analyses

1. The Company's responses to Staff and GCI data requests show that Ameritech is earning returns on intrastate investment and on equity of about double the levels authorized by the Commission in its 1994 Price Cap Order. Before the Commission establishes a new regulatory plan for AMERITECH, alternative or otherwise, the Company's going-in rates must be recalibrated to reflect a just and reasonable level. The excess intrastate return indicates that the Company is due for a \$1.044 billion intrastate rate reduction, as shown on GCI Exhibit 6.3. See

also TerKeurst, GCI Ex. 1, 11; Selwyn, GCI Ex. 3, 13; Dunkel, GCI Ex. 7.0, 9.0, Smith, GCI Ex. 6.0 - 6.4; Selwyn, Chicago Ex. 1, 2.

2. Revenue and Expense Adjustments

(Dollar amounts shown reflect the total revenue impact and use of the Gross Revenue Conversion Factor ("GRCF") calculated by Mr. Ralph Smith. A discussion of the GRCF used by Mr. Smith can be found in GCI Ex. 6.0 at 18-19. A summary schedule of the dollar impacts of each of the following adjustments can be found at GCI Ex. 6.3, Schedule E Revised.)

a. Directory Revenue -- \$128,939,000
R. Smith, GCI Ex. 6.0 at 20; R. Smith, GCI Ex. 6.2 at 31; Rebuttal Schedule E-1

b. Intrastate Depreciation Expense -- \$351,863,000
R. Smith, GCI Ex. 6.0 at 29; R. Smith, GCI Ex. 6.2 at 23; Rebuttal Schedule E-2

c. Pension Settlement Gain -- \$54,187,000
R. Smith, GCI Ex. 6.0 at 30; R. Smith, GCI Ex. 6.2 at 22; Rebuttal Schedule E-3

d. Pension Settlement Gain, Ameritech Services -- \$3,794,000
R. Smith, GCI Ex. 6.2 at 14-15; Rebuttal Schedule E-15

e. Pension Settlement Gains -- Known 2000 Amounts -- \$13,476,000
R. Smith, GCI Ex. 6.2 at 22; Rebuttal Schedule E-19

f. Merger Costs Billed in 2000 from SBC -- \$9,470,000
R. Smith, GCI Ex. 6.0 at 32; R. Smith, GCI Ex. 6.2 at 8; Rebuttal Schedule E-4

g. Accruals for Asset Disposition -- \$3,031,000
R. Smith, GCI Ex. 6.0 at 33; R. Smith, GCI Ex. 6.2 at 30; Rebuttal Schedule E-5

h. Non-Product "Brand" Advertising -- \$6,966,000
R. Smith, GCI Ex. 6.0 at 34; R. Smith, GCI Ex. 6.2 at 46; Rebuttal Exhibit E-6

i. Sports Team Sponsorship -- \$98,000
R. Smith, GCI Ex. 6.0 at 36; Rebuttal Schedule E-7; Rebuttal Schedule E-7

j. Revenue Reduction from Failure to Meet Service Quality Standards
\$29,764,000

**R. Smith, GCI Ex. 6.0 at 36; R. Smith, GCI Ex. 6.2 at 44;
Rebuttal Schedule E-8**

k. Uncollectibles -- \$18,976,000

**R. Smith, GCI Ex. 6.0 at 38; R. Smith, GCI Ex. 6.2 at 17;
Rebuttal Schedule E-9**

l. Software Capitalization -- \$1,337,000

**R. Smith, GCI Ex. 6.0 at 39; R. Smith, GCI Ex. 6.2 at 11;
Rebuttal Schedule E-10**

m. Reciprocal Compensation Expense -- \$34,099,000

R. Smith, GCI Ex. 6.2 at 20; Rebuttal Schedule E-18

n. Accumulated Deferred Income Taxes -- \$3,509,000

R.. Smith, GCI Ex. 6.2 at 18; Rebuttal Schedule E-17

o. Income Tax Expense Correction -- \$2,492,000

**R. Smith, GCI 6.2 at 13;
Rebuttal Schedule E-14**

p. Revenues Changes From Additional 2000 Tariff Filings
\$39,819,000

R. Smith, GCI Ex. 6.2 at 15; Rebuttal Schedule E-16

2. Rate Base Adjustments

a. Interest Synchronization -- \$16,955,000

**R. Smith, GCI Ex. 6.0 at 41; R. Smith, GCI Ex. 6.2 at 53;
Rebuttal Schedule E-11**

b. Materials and Supplies -- \$171,000

**R. Smith, GCI Ex. 6.0 at 42;
Rebuttal Schedule E-12**

c. Telephone Plant Under Construction and Interest During Construction
\$13,151,000

**R. Smith, GCI Ex. 6.0 at 43; R. Smith, GCI Ex. 6.2 at 8
Rebuttal Schedule E-13**

d. ADIT debit balance -- \$19,000,000

R. Smith, GCI Ex. 6.2 at 18; Rebuttal Schedule E-17

The foregoing represents the Pretrial Memo of GCI. Additional issues, issues that arise in Surrebuttal, and issue that arise in hearings and additional citations to the evidence may be included in the briefs of the individual GCI parties.

Respectfully submitted:

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February 6, 2001

Government and Consumer Intervenor ("GCI") Witness List
ICC Dockets 98-0252/98-0335/00-0764
Attachment to GCI's Pretrial Memo

Charlotte TerKeurst	GCI Ex. 1.0 - 1.5 11.0 - 11.7	<p>Whether the alternative regulation plan has achieved statutory and regulatory goals.</p> <p>Whether the alternative regulation plan should be changed to better promote statutory and regulatory goals or terminated.</p> <p>Whether rates and revenues should be reinitialized to just and reasonable levels.</p> <p>Whether the changes to the alternative regulation plan proposed by Ameritech Illinois should be adopted, including basket structure, degree of pricing flexibility, exogenous factor treatment.</p>
Charlotte TerKeurst	GCI Ex. 2.0 - 2.5 12.0 - 12.7	<p>Whether Ameritech has met the Commission's service quality standards.</p> <p>Whether the service quality standards imposed as part of the alternative regulation plan should be changed and if so, to what, including a proposal for additional service quality measures.</p> <p>Whether assessment of service quality and determination of financial consequences should be part of the price cap formula or a separate calculation.</p> <p>Whether a consumer credit program and cellular telephone loaner program should be adopted.</p> <p>Whether Ameritech's proposals concerning service quality should be accepted by the Commission.</p>
Lee L. Selwyn	GCI Ex. 3.0 - 3.3 13.0	<p>Whether the productivity factor in the price cap formula should be changed to 6.5.</p> <p>Whether Ameritech Illinois' Total Factor Productivity study is reliable and should be used to calculate the productivity factor in the price cap formula.</p>

Whether the USTA study is reliable and should be used to calculate the productivity factor in the price cap formula.

Whether the productivity factor should apply to both non-competitive and competitive services.

How the Commission should treat merger savings.

Whether the consumer productivity dividend should be retained and/or an earnings sharing plan adopted.

Whether existing rates should be reinitialized.

William Dunkel GCI Ex. 7.0 - 7.1
8.0 - 8.30
9.0 - 9.21

Whether Ameritech reasonably accounted for its Directory revenues.

Declining telephone penetration rates.

Rate design, including reductions to the residential and business network access line, local usage, vertical services, non-recurring charges, and elimination of directory listing charges.

Whether the loop cost is a common or shared cost.

Whether Ameritech's cost of service study accurately reflects the cost of service, and proposed corrections, including cost of money, capital structure, net investment and depreciation reserve inputs, fill rates, line growth and contribution.

Whether Ameritech is properly calculating depreciation expense, including whether it has over-depreciated plant, correctly separated inter-state from intra-state plant and whether it has correctly determined the service lives of its plant.

Roxie McCullar, GCI Ex. 4.0 - 4.3

Describes how corrections to Ameritech cost of service study identified by Mr. Dunkel were done.

Thomas Regan, GCI Ex. 5.0 - 5.1
10.0

Discusses economic principles related to the calculation of economic costs, including the proper role of LRSICs and Stand-Alone Cost, and whether

Ramsey pricing is an appropriate for non-competitive services.

Ralph Smith, GCI Ex. 6.0 - 6.1 & Schedules 6.2 - 6.4 & Schedules Presents the intrastate revenue requirement, rate base, net operating income and adjustments summaries for Ameritech for a 1999 test year.

Identifies errors in Ameritech's presentation of its intrastate revenue requirement (Am. Il. Ex. 7.0, 7.1).

Describes adjustments accepted by Ameritech.

Lee Selwyn, City of Chicago Exhibits, 1.0 and 2.0

Proper scope and standard of review.

Ameritech's plan performance fails to meet the statutory standards.

Ameritech's proposed plan modifications would weaken, not improve, the alternative regulation plan, and should be rejected.

Ameritech's rate rebalancing proposal should be rejected.

February 6, 2001